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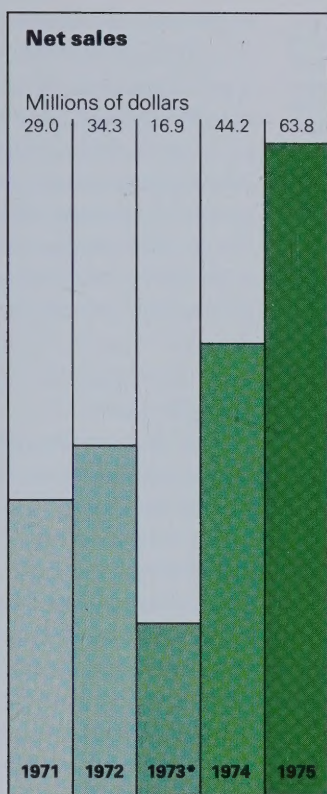
1975 Annual Report

Slater Steel

Contents

Highlights	1
President's message	2
Burlington Steel	4
Slater Products	7
Personnel	9
Administration and financial review	10
Financial Statements	13
Five Year Review	19
Corporate information	20

Slater Steel Industries Limited



*For the 5 month period ended March 31, 1973.



*For the 5 month period ended March 31, 1973.

Highlights (in thousands of dollars except per share data)	1975	1974
Net sales	\$63,846	\$44,242
Net earnings	\$ 8,236	\$ 5,112
Earnings per common share	\$ 3.03	\$ 1.81
Fixed asset expenditures – net	\$ 4,945	\$ 2,142
Working capital	\$ 8,354	\$ 9,800
Fixed assets – net	\$24,810	\$21,576
Total assets	\$72,543	\$58,696
Common shareholders' equity	\$39,853	\$33,705
Per share	\$ 15.43	\$ 13.05

President's message



Bruce M. Hamilton, President

Fiscal '75 has been an exceptional year for both operating Divisions of Slater Steel Industries Limited resulting in record sales and earnings. Our financial results reflect the heavy demand for the Burlington Steel line of bar products and the hardware components from Slater Products used in the electrical transmission and communications markets. While real growth in our business activities was achieved, the actual increase in sales for the year was exaggerated by inflation, reflecting 80% of the incremental increase over the previous year. Plant operations ran at capacity and every effort was made to support the expanded requirements of our domestic accounts.

Much of the credit for our Fiscal '75 performance belongs to our employees who have contributed both interest and hard work to the activities of your Company. We have continued to give high priority to the personnel element of our business, especially with regard to communications, training and participation. In keeping with this theme we have emphasized "people" in this annual report, both in our commentary and photographs to provide you with a closer insight into the human side of our business enterprises.

During the past year your Company was involved in the Federal government inquiry into profit and inventory policies of the Canadian steel industry. Several detailed reports outlining our commercial policies and practices were submitted, and after specific testimony and cross-examination before The Honourable Mr. Justice Willard Z. Esty, Commissioner of the Steel Profits Inquiry, your Company was vindicated and, in fact, was complimented for the restraint shown at a time of heavy world demand for steel and high inflation. The final report of the Commission indicated that Canada has a good and efficient steel industry which has proven to be both responsible and responsive to the country's needs.

While there was some softening in certain markets in the final quarter of our fiscal year, our particular activities held up

extremely well. This was helped by the ability of our new rolling mill at Burlington Steel to adapt to a broader range of commercial bar to replace reduced sales of construction rebar, and the high demand in the utility markets served by both the steel Division and Slater Products. Fiscal '76 is a difficult year to project. While we anticipate continued growth in demand for the Slater Products' line, the requirements for steel bar products remains uncertain, especially through the first half of the year.

A continued program of capital spending amounting to approximately \$5 Million for Fiscal '75 was conducted at both Divisions to add to their manufacturing efficiency and capability. These expenditures were carefully planned with a view to improving operating flexibility, competitive productivity and cost reduction.

In examining future opportunities for your Company, we have conducted an "in depth" feasibility study for a fully integrated steel operation designed to produce wire rod. A market analysis has indicated a potential demand for this commodity in North America which justifies the need for a modern, efficient Canadian facility. Many critical criteria are essential to the support of such a project which include raw material supply, energy, environmental restrictions and manpower, and clearly defined solutions to these factors must be established before a final commitment is made.

During the year an engineering study was conducted at the Slater Products Division to measure both productive capacity and efficiency, as well as the constraints placed on our future growth at the present plant location. We have initiated steps to seek a new site for our manufacturing operations at a property in close proximity to the present plant, and with the necessary services to support our requirements. It is our intention to move

Programs to increase basic steel quality in the melt shop and to improve our bar rolling techniques enabled us to supply steel to the forging industry. Continued process development also resulted in major productivity gains by rolling smaller bars as a twin section. At the same time, we were able to exploit the capability of the new mill by rolling a greater variety of flat, angle, and channel sections than ever before.

Inflation had a major influence on operational cost control with many large supply items increasing in price at a rate exceeding 2% per month. This was countered, in part, by the re-engineering of our smoke emission control system to resolve production restrictions in the melt shop, and by the commendable performance of our rolling and maintenance crews during completion of the "break-in" of our new bar mill. The principles of Industrial Engineering were broadly introduced to optimize scheduling, and a program for the conservation of energy was implemented. Systems were also instituted to improve utilization of labour and control over raw material and finished inventories.

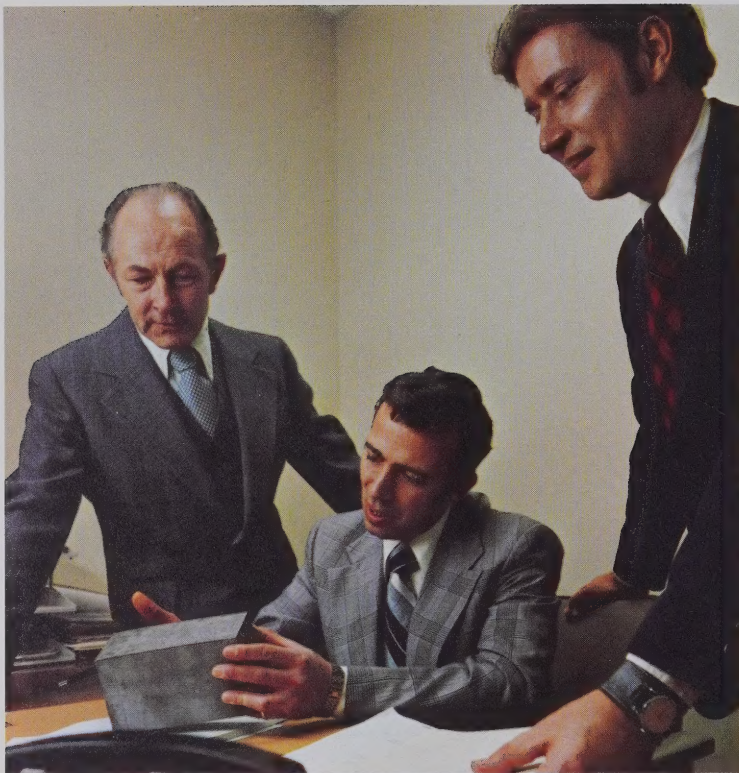
The informal agreement established two years ago with a multi-national company to use their initial pre-reduced iron pellet production has provided valuable handling and melting experience in the utilization of this commodity as charge material. Iron pellets are an important new substitute for steel scrap as the prime raw material in steelmaking by the electric furnace process. Our early association with the production of pre-reduced iron pellets provides essential experience and know-how in electric furnace practices, and assures continued availability of this critical commodity to the Division as our plans for increased steel output are implemented.

A. Gordon McDonald, Vice President-Marketing; Ronald T. Haine, Manager-Engineering; John F. Miles, Vice President-Manufacturing



Murdock W. MacKenzie, Manager-Marketing; Martin E. O'Grady, Manager-Sales





Magnuss Reinbergs,
Manager-Metallurgy;
Charles J. Agro, Manager-
Industrial Engineering;
John A. Skarja, Manager-
Primary Operations

People We appreciate that the major up-
grading of our manufacturing facilities
could not have been achieved without
good labour relations and the support of
our salaried personnel. To further improve
understanding and responsiveness be-
tween labour and management, we have
adopted broader and more timely systems
of communications. We have also pursued
a policy of promotion-from-within and
provided training to strengthen the calibre
of our management team. The opportunity
for the personal growth of Burlington Steel
employees must be assured if we are to
attract and retain competent leaders.

Future outlook Whereas the past year has
witnessed completion of the program to
upgrade our steelmaking operations, our
principal goal in the coming year will be to
optimize the use of our facilities and to
achieve a management systems plan.

Economic predictions define a recession
in our national economy, and the demand
for steel bar products during Fiscal '76
remains somewhat of a question. How-
ever, the market is expected to remain soft
through the first half of our year and show
a strengthening trend in the second half.
This factor, coupled with our improved
manufacturing capability, will enable
Burlington Steel to use our expanded
quality and product range to take
advantage of the new markets available
to us, and reduce our dependence on the
cyclical construction industry. While
conservatism in inventory control and
spending will be applied to our operating
controls, aggressive response to the needs
of our customers will constitute the basis
for our commercial strategy.



John D. Hemmingsen,
Manager-Maintenance;
William Brown, Manager-
Materials; **Brian E. Naber,**
Manager-Secondary
Operations

from our present location in a progressive, systematic manner in order to minimize interference with our productive output. At the same time, the manufacturing layout will be designed to provide for improved operating efficiencies as well as expanded and new production facilities to support additional operating processes and introduction of new product lines.

Sales and earnings from Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) continued to increase with record levels established during our fiscal period. On May 2, 1974 IPSCO issued a total of 1,126,000 common shares at \$11.41 per share, equalizing the holdings of the Province of Alberta, the Province of Saskatchewan and Slater Steel Industries Limited at 20.2% each (938,400 shares). IPSCO used the proceeds from the sale of these shares to repay bank borrowings and to lay the foundation for future growth in western Canada through its association with these two provinces.

There is a continuing strong demand in North America for tubular steel products which IPSCO is well qualified to supply in a broad range of sizes. At the same time, the company has initiated plans for a significant capital investment program to increase manufacturing capacity and expand product line capability.

We continue to benefit appreciably from our association with British Steel Corporation. Visits have been made by several of their key people in manufacturing, marketing and research to provide us with assistance in their respective areas of expertise. Some of our management people have visited specific British Steel facilities in the U.K. to observe and discuss particular problems and concerns related to our respective business interests. These visits have been of particular value not only in our day-to-day operations, but especially in our deliberations regarding the proposed wire rod mill.

At year end, we were privileged to be visited by Sir Monty Finniston, Chairman of British Steel Corporation, who spent a full day touring our Hamilton facilities and meeting a large number of our people. This proved to be a worthwhile occasion during which Sir Monty conveyed strong interest and support for our Canadian activities.



Bruce M. Hamilton and
Sir Monty Finniston,
Chairman, British Steel
Corporation, U.K.

A section has been included in this report on specific personnel matters of your Company which describes the particular accomplishments and areas of interest to our people. I would like to commend all of our employees for their continued support and contribution to the outstanding results achieved by your Company in Fiscal '75. While we were fortunate in the past year in serving an unusually strong market for all of our commodities, our ability to run the manufacturing units effectively and at capacity required co-operation and extra effort from all of our employees.

Bruce M. Hamilton

Bruce M. Hamilton
President



John E. Fogarty, Vice President-General Manager

Three years ago a program was initiated to transform the Burlington Steel Division into a modern mini-mill. This \$12 Million project has been completed, and we now have the capacity to produce 250,000 tons of bar products, a 50% increase over our previous levels. At the same time, the size range of our products has been increased with attendant improvement in quality standards. Our capital spending for the year included increasing the size of our electric furnaces and their melting rates to accommodate the billet requirements of the new rolling mill. This brings our Melt Shop capacity in excess of 300,000 tons per year and greatly enhances the productivity of primary operations. Our Finishing facilities were also enlarged by the construction of a new warehouse, and we now have a materials handling area of 130,000 square feet to accommodate stocking and shipping of the increased bar output.

The transition to modern mini-mill status also placed greater demands on our management systems. A study was initiated to determine the profit contribution of our individual products, and marketing strategy was formulated to insure a high level of service to our customers. Policies were established to optimize the utilization of manpower and our Safety program was strengthened through improved standards, controls and communications. It remains our objective to insure that the management of our Division gives full recognition to the contribution from our people and the role that Burlington Steel can best serve in the marketplace.

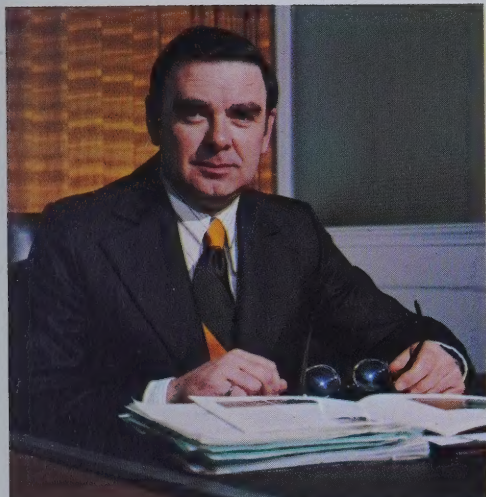
Marketing The strong world market for steel experienced in 1973 continued through most of 1974, and the increased output from the continuous production achievements of our new rolling mill were readily consumed during this period. This allowed us to reduce our dependence on billet sales, which had run as high as 25% of our total shipments, and brought about

increased shipments of 36,000 tons of finished bar products.

To assure equitable distribution of our products during this period of high demand, our customers were supplied with steel using an allocation system based on their historical business profile with Burlington Steel. Two hundred and nine thousand tons of steel were shipped during Fiscal '75. While this tonnage was comparable to shipments of the previous year, the sales dollar value increased by 49% to \$52 Million as a result of improved product mix and price escalation. Standard pricing policies were applied to all product lines and it is of interest to note that Canadian selling prices for our class of bar commodities were the lowest of any country in the world.

During the fourth fiscal quarter, the business climate cooled and curtailment of activity in the construction industry significantly reduced the reinforcing rod market. However, by that time we had developed the manufacturing ability to produce additional sizes and sections on our new rolling mill, including light structural angles and wide flat bar sections. This product versatility allowed us to replace the reduced reinforcing rod demand by increased penetration of the transmission tower and agricultural implement markets.

Manufacturing During Fiscal '75 our total raw steel production was 233,000 tons, and a record production of 209,000 tons was achieved in our rolling mill. This constituted a 29% increase in rolled product over our best previous year, and reflected the improved contribution of our new rolling mill.



A. Michael Parent, Vice President-General Manager

The divisional revenue obtained from shipments during the year increased by 26%, however, half of the sales dollar increase was a reflection of cost inflation. Our incoming orders were at a very high level and at year end our backlog reached a record level, showing an increase of 62% over last year.

This growth was supported by a significant increase in demand for our products by the electrical and communications utilities. We expect these utilities to maintain their high growth rate, in spite of temporary fluctuations in demand due to such factors as the lacklustre performance of housing and consumer durable industries.

Marketing EHV hardware requirements for major Canadian utilities have virtually doubled to meet planned expansion in the late '70s and early '80s. To meet this demand we increased our manufacture of standard pole line hardware of the lower voltage class used by the distribution utilities, as well as the 500Kv and 765Kv class of product used by the transmission utilities. The result provided a favourable product mix and attendant benefit to sales revenue and profitability. We have also emphasized the products for Original Equipment Manufacturers (OEM), which include component parts and assemblies for the switchgear and construction industries.

In addition to our activities in the Canadian domestic market, we have continued to emphasize our products in foreign countries. During the past year we exported several sizable orders to such countries as Iran, Pakistan and the Dominican Republic.

A major step was taken toward expansion in the U.S. market through a licensing agreement with Sherman & Reilly, Inc. of Chattanooga, Tennessee, who will manufacture our EHV product line. Significant growth in construction by the U.S. electrical utilities is expected over the next five to ten years and we are now in a position to participate in this market through our licensee.

Manufacturing Operating costs increased at an extremely high rate during the year, as inflation reached record levels, which

could not be offset completely by increased selling prices. In order to compensate for these rising costs, particular emphasis was placed on obtaining cost reductions in our factory processes through method improvement and modification of specific equipment.

We expect some easing of cost inflation in 1975, however, we will continue to give priority to cost reduction activities as a basis for optimizing our operating efficiencies.

Capital equipment As production activity increased during the year we encountered capacity constraints which required the addition of new equipment. In particular, a major expansion of our Foundry was undertaken which included enlarging our building capacity by 50% and increasing our production capacity by installing new, modern casting equipment.

Further expansion of our manufacturing facilities will be required over the next two or three years. We intend to erect a warehouse on a future operating plant site to provide additional space at our present location to accommodate new equipment required to support anticipated production demands.

Raw material For the second year, material shortages and erratic supplier deliveries presented serious challenges and costs. In view of the fact that quality is a major criteria for our product line, "material substitution" and "in-house" manufacturing activity were given close control and attention by our engineering services.

As lead times for raw materials increased, it was necessary to carry heavier inventories than planned. This factor was further aggravated by the magnitude of our major project orders, which require longer "in-process" time. At year end the supply problems tended to ease, which resulted in some reduction in inventories. We expect this trend to continue into the current year which will enable us to optimize our inventory levels consistent with proper customer service lead times.



Herbert J. Houston,
General Product Manager;
Gordon W. Meldrum,
General Sales Manager

Administration Our EDP production scheduling system was of major value at a time when changes were constantly being made to adjust for material shortages and expanding activity. The EDP system is now being extended to improve market forecasting and further stabilize production planning and inventory.

Personnel Expansion of our work force predominated throughout the year due to increased plant activity and normal retirement of several employees. Extensive and on-going training programs were implemented for the new employees, and particular attention was directed to the development of supervisory managerial skills especially in the area of communications.

Our Sales and Engineering departments have been reorganized to adjust to the tight supply – high demand market and the increased activity in new product and technology development.

A maximum effort was contributed by all employees at a time when the demand on our personnel resources was heavy, and their interest and involvement added immeasurably to the successful achievement of our business goals.

We would like to express appreciation to our distributor organizations for their admirable performance under difficult circumstances by helping our customers plan their needs in this very unusual market environment.

Future outlook Our general policy continues to be one of expansion, incorporating the development of new products and new markets, while maintaining service and supply to our traditional power and communications customers. This will be supported by our engineering expertise which is essential to the sale of our product lines. At the same time, further capital investment is planned for our manufacturing facilities to enable us to provide a full range of products and services.



R. LeRoy Heise, Manager-
Operations; **Kenneth D.**
Bolt, Chief Engineer



Wayne D. McCraney, Director-Personnel & Industrial Relations

The Personnel and Industrial Relations Department is a recently formed corporate function, primarily concerned with introducing employee relations policies to establish a positive base for employees to perform their particular work assignments. The Department is also concerned with providing advice and assistance to all employees on matters affecting them in their work environment.

Employment, wages, salaries and benefits

During the year, there was an average of 1,211 employees on the payroll. The total wages and salaries paid for work was \$13,933,000 and a further \$1,625,000 was expended for vacation pay and "Statutory" holidays. The Company paid \$354,000 in premiums for group benefit plans (life insurance, major medical, dental, etc.). Company contributions to pension plans totalled \$769,000 and to government controlled schemes (Canada/Quebec Pension Plan, Unemployment Insurance, Workmen's Compensation, OHIP), the Company contributed \$1,019,000. In summary, the net result was that for every \$1.00 spent on direct wages, a further 27¢ was spent, either directly or indirectly, for the benefit of employees.

Throughout the year, there was considerable pressure on incomes as a result of living costs which had risen to an unusually high rate. Recognizing the problem, special adjustments were provided to wages and salaries at various

stages throughout this period. In addition, the annuity levels paid to Company retirees were again reviewed and additional special adjustments were implemented in March, 1975.

Collective agreements Our labour contracts, for both Divisions, with the United Steelworkers of America, entered their third and final year. The Burlington Steel contract expires December 31, 1975 and the Slater Products contract terminates January 31, 1976.

Safety Employee safety continued to be of great concern and prime importance throughout the two operating Divisions. Particular attention was given to developing a formal program dealing with specific matters such as responsibility for injury prevention, first aid treatment, training and hazard resolution.

At Burlington Steel, a comprehensive safety manual was completed and issued to supervisory personnel throughout the Division. In essence, this provides the base for administration of a sound safety program. In the Slater Products Division, work also began on the development of a safety manual.

Hourly employee suggestion plans Fiscal '75 was the third year of operation for the Burlington Steel suggestion plan. In November, a similar plan was also introduced for the employees of the Slater Products Division. The purpose of these plans is to provide a medium whereby employees can express their ideas and be rewarded financially for successful suggestions. A total of \$4,800 was paid for suggestions during the fiscal year.

The Company was, and continues to be, most interested in obtaining employees' views as to how operations can be improved in such areas as cost reduction, safety and waste reduction.

Employee communications The Company has continued to improve communications with employees by keeping them informed of significant and relevant Company activities as they occurred. The processes utilized included home mailings, bulletin board postings and special meetings.

Consistent with the concern for im-

proved communications, employees are being encouraged to "ask" if they have questions on appropriate topics. The Personnel and Industrial Relations Department is available to provide assistance upon referral by an employee's supervisor.

Employee development The Tuition Aid Program was updated in line with the Company's objective of developing employees for internal promotional opportunities. Employees who participate in Company approved programs can be reimbursed up to \$500 (maximum for a calendar year) for successful course completion. Forty-six employees were reimbursed through the program during the year.

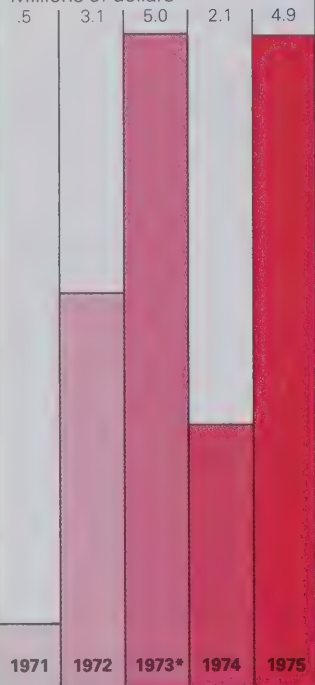
Employee recreation The Company continued to encourage and support the concept of Company/employee recreation by sponsoring activities conducted by internal organizations, including the veterans' banquets, children's Christmas Tree at Slater Products, approved sporting activities, and dances. Initial discussions also took place with the recreation committee at Burlington Steel regarding a proposed Christmas party for the children of employees of that Division.

Loss control Particular attention was directed towards the evaluation of procedures and controls that are utilized to protect the Company's buildings, equipment, materials, and products.

At Burlington Steel a new security firm was contracted to install the desired level of plant protection services. In both Divisions, an audit was conducted of loss prevention procedures and protective devices by a group of loss prevention engineers representing the Company's insurance underwriters. From these audits, a number of improvements were introduced including the refinement of emergency measures programs.

Capital expenditures

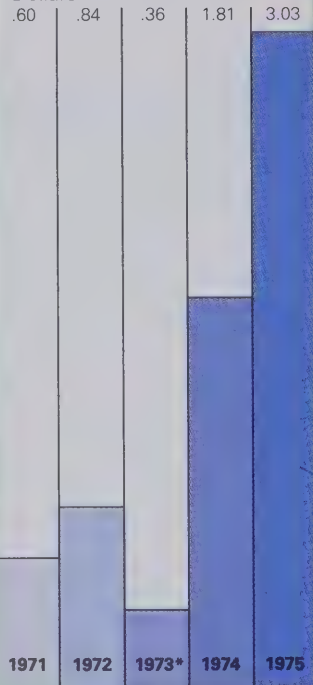
Millions of dollars



*For the 5 month period ended March 31, 1973.

Earnings per common share

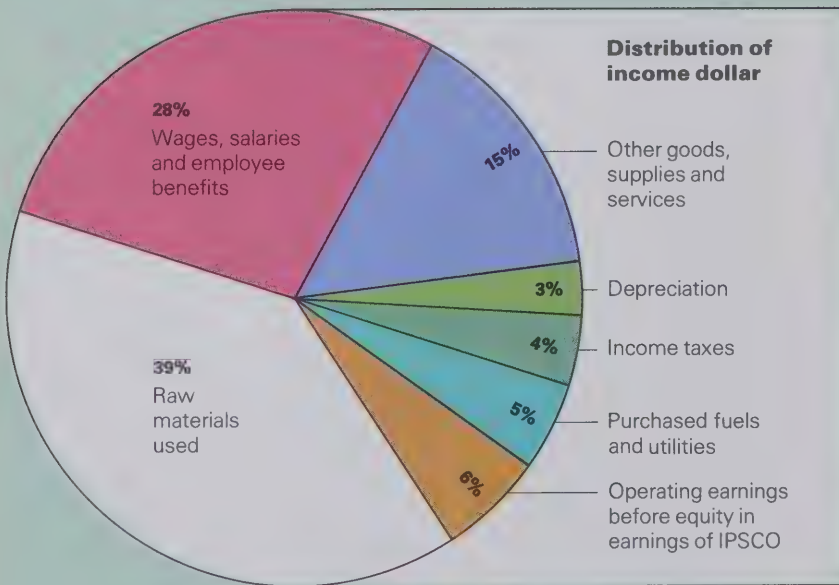
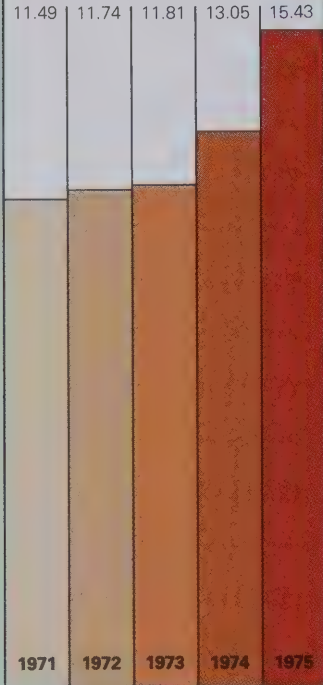
Dollars



*For the 5 month period ended March 31, 1973.

Shareholders' equity per common share

Dollars



Administration and financial review



Ronald B. Wilson, Vice President-Administration & Finance and Secretary

Sales and earnings Sales of steel, pole line hardware and related products rose sharply to a record \$63,846,000 for the fiscal year ended March 29, 1975, an increase of 44% over comparable fiscal 1974 net sales of \$44,242,000. However, approximately 80% of the increase is related to higher unit selling prices which reflects the significant increases in operating costs, such as raw material, supplies, utilities and wages during the year.

Earnings from operations, before the equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (IPSCO), are \$3,633,000 in fiscal 1975 an increase of 35% over comparable 1974 results. These figures, as a percentage of sales, are 5.7% for 1975 and 6.1% in 1974. Including the equity in the earnings of IPSCO, net earnings increased to a new high of \$8,236,000 from \$5,112,000 in 1974.

As reported in the 1974 Preliminary Report to Shareholders, inflation contributed 24¢ per common share to fiscal 1974 earnings because the increased costs of scrap were not reflected immediately in the cost of sales. In the 1975 fiscal year, there was no inflationary effect from scrap inventory, due to a 20% decrease in the cost of scrap during the year, so that this factor did not contribute to our profit.

Working capital During the fiscal year, working capital decreased by \$1,446,000 to \$8,354,000. This reduction resulted mainly from the high level of fixed assets expenditures and because equity in earnings in IPSCO was only partially passed on in the form of dividends.

Inventory levels increased substantially during the year with two factors accounting for nearly 90% of the increase. First, the increase in net sales of 44% required a comparable inventory increase to support these sales. Second, the scrap inventory levels of a year ago were very low due to the tight market conditions, however, with the easing of the market, scrap was more readily available and inventories of this commodity have returned to normal levels.

An expected increase in the accounts receivable was eliminated by implementing more stringent credit terms during the year, decreasing accounts receivable balances by 20% to \$7,052,000.

The level of bank advances is being reviewed and, in considering the financial requirements for the coming fiscal year, plans are now in progress for long-term borrowing.

IPSCO Earnings reported by IPSCO to its shareholders for the year ended February 28, 1975 were \$21,995,000 compared to \$9,374,000 for the previous year. This increase is reflected in the equity in IPSCO's earnings reported in the Statement of Earnings.

Capital expenditures During fiscal 1975, additions to fixed assets increased to \$4,945,000. The larger additions included the Melt Shop expansion and a new warehouse at the Burlington Steel Division. Both of these projects will be completed in early fiscal 1976 and details are included in the relevant General Manager's comments.

The provision for depreciation increased substantially over the previous year to \$1,711,000. This increase includes a full year's depreciation provision on the new steel rolling mill and all other completed additions during this past fiscal year.

Shareholders The shareholders' equity per common share increased to a record high of \$15.41 per share, an increase of \$2.36 from the previous year. The dividend on common shares was increased during the year, to 68¢ per share, representing 48% of earnings, when the excess of IPSCO

earnings over dividends received (a non-cash flow item) is removed from the Company's earnings.

Almost 2% of the outstanding common shares of the Company have now been purchased by employees through the Salaried Employees' Share Purchase Plan.

The number of holders of common shares increased during fiscal 1975 to 4,260, over 98% of whom are resident in Canada.

Purchasing Sourcing of raw materials and supplies, together with the spiraling costs of these commodities, taxed the purchasing function to its utmost during the past year. The scrap shortage, along with the instability experienced late in the prior fiscal year, continued into the third quarter of fiscal 1975. This caused concern for the low inventory levels that the Company was forced to maintain. However, the market situation eased through the winter months and more traditional inventory levels were attained by year end.

It was a trying and most difficult period for the Purchasing Department, and a return to more balanced supply and demand of most commodities offered some relief by year end.

Information systems During fiscal 1975, the Company established a full time Information Systems Department to review and streamline the Company's systems, and to plan systems for future expansions or developments.

Major on-going projects for the coming fiscal year include a more sophisticated process control system for the Melt Shop and an expansion of the inventory control system to include the Stores at Burlington Steel; and to develop a more analytical sales analysis system to supplement the inventory control system at the Slater Products Division.

J. David Smart, Comptroller; David W. Albright, Treasurer



George A. Marshall, Manager-Information Systems; Gordon W. Flett, Manager-Purchasing.



Consolidated Statement of Earnings

(in thousands of dollars)

	Year ended March 29, 1975	Year ended March 30, 1974
Net sales	\$63,846	\$44,242
Costs and operating expenses other than depreciation	55,632	38,290
Depreciation	1,711	1,437
Interest on debentures	95	105
	57,438	39,832
	6,408	4,410
Income taxes		
Current	2,165	(195)
Deferred	610	1,910
	2,775	1,715
	3,633	2,695
Equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (Notes 1 and 2)	4,603	2,417
Net earnings for the year	\$ 8,236	\$ 5,112
Earnings per common share	\$3.03	\$1.81

Consolidated Statement of Retained Earnings

(in thousands of dollars)

	Year ended March 29, 1975	Year ended March 30, 1974
Balance at beginning of year	\$21,277	\$17,960
Net earnings for the year	8,236	5,112
Surplus realized on retirement of preference shares	81	87
Amount realized through depreciation provision for the year transferred from excess of appraised value of fixed assets over net book value	—	98
	29,594	23,357
Dividends		
Preference shares	413	430
Common shares	1,756	1,550
	2,169	1,980
Balance at end of year	\$27,425	\$21,277

Consolidated Balance Sheet

(in thousands of dollars)

Assets	as at March 29, 1975	as at March 30, 1974
Current Assets		
Accounts receivable	\$ 7,052	\$ 8,855
Inventories (Note 1)	18,032	10,332
Prepaid expenses	171	158
Current portion of loans to Trustees of Share Purchase Plan	82	79
	25,337	19,424
Investment in Interprovincial Steel and Pipe Corporation Ltd. (Notes 1 and 2)	22,185	17,451
Loans to Trustees of Share Purchase Plan Less Current Portion	211	245
Fixed Assets (Note 1)		
Land	2,316	2,275
Buildings, machinery and equipment	36,446	31,591
Less : Accumulated depreciation	13,952	12,290
	22,494	19,301
	24,810	21,576
	\$72,543	\$58,696

On behalf of the Board

G. P. Osler, Director

B. M. Hamilton, Director

1. Accounting policies

Principles of Consolidation The consolidated financial statements include the accounts of Slater Steel Industries Limited, its wholly owned subsidiary, N. Slater Company, Limited and the investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) stated at cost plus equity in undistributed earnings since date of acquisition to February 28, 1975, in accordance with the latest information reported to its shareholders.

Inventories Inventories are valued at the lower of cost and net realizable value. The accounting for inventories of Slater Products Division is at standard cost, while Burlington Steel Division inventories are recorded at average cost, with both systems based on current material, labour and overhead costs. At March 29, inventories consisted of (\$000's):

	1975	1974
Raw materials and supplies	\$ 7,607	\$ 3,869
Work in process	4,453	4,429
Finished goods	5,972	2,034
	<u>\$18,032</u>	<u>\$10,332</u>

Income Taxes The company provides for income taxes on the tax allocation method. Since income tax regulations permit the deduction of expenses in calculating taxable income which may not correspond with amounts recorded in the financial statements, income taxes charged to earnings differ from those currently payable. Income taxes charged to earnings, but payable at some future date are shown as Deferred Income Taxes in the Consolidated Balance Sheet.

Fixed Assets In 1961, property, plant and equipment of the Burlington Steel Division was restated to reflect depreciated replacement value as appraised by Warnock Hersey Appraisal Company Ltd. All additions of that division subsequent to 1961 are at cost. All Slater Products Division assets are at cost. Depreciation of property, plant and equipment is provided on a straight line basis by the Burlington Steel Division and on a declining balance basis by the Slater Products Division at rates intended to write off these assets over their estimated useful lives. At March 29, 1975, the directors had approved the purchase of fixed assets amounting to \$1,580,000.

2. Investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO)

On May 2, 1974, Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) issued 1,126,000 common shares of which the company purchased 52,400 shares at a cost of \$600,000. As a result of this share issue the company's investment in IPSCO is reduced from 25.3% to 20.2% of the total issued share capital. The investment is stated at cost plus equity in undistributed earnings since date of acquisition.

Of the \$600,000 expended on further shares in IPSCO, \$549,000

related to the underlying book value of net assets acquired and the balance of \$51,000 represents the excess of the cost of these shares over underlying book value at May 2, 1974. The total excess cost of the shares over the underlying net book value of the investment at acquisition amounts to \$9,439,000.

The equity in earnings of IPSCO is only partially represented by dividends received. The portion represented by undistributed earnings is not directly available for the payment of dividends by Slater Steel Industries Limited.

3. Sinking fund debentures

	1975	1974
	(in thousands of dollars)	
6% Series A, January 1, 1982	\$ 329	\$ 329
6¼% Series B, February 15, 1983	676	676
*5½% Series D, May 15, 1984 (U.S. \$600,000)	648	648
	<u>\$1,653</u>	<u>\$1,653</u>

*The outstanding principal amount of the U.S. issue is expressed as the equivalent in Canadian funds at date of issue.

Sufficient debentures have been purchased for cancellation to eliminate the sinking fund requirements for the next four years.

4. Preference shares

Outstanding	1975	1974
	(in thousands of dollars)	
69,195 shares (1974 – 71,073 shares)		
5½% cumulative redeemable, \$1.10 Series	\$1,384	\$1,422
141,779 shares (1974 – 147,111 shares)		
5½% cumulative redeemable, \$1.10 Second Series	2,835	2,942
146,236 shares (1974 – 152,496 shares)		
6% cumulative redeemable, \$1.20 Series	2,925	3,050
	<u>\$7,144</u>	<u>\$7,414</u>

During the period the company purchased for cancellation 1,878 \$1.10 Series, 5,332 \$1.10 Second Series and 6,260 \$1.20 Series preference shares. All preference shares are redeemable at par. The purchase fund requirements attached to the preference shares have been complied with.

5. Common shares

At March 29, 1975, an employee stock option which expires in 1977 is outstanding on 3,900 shares at \$10.25 per share.

6. Remuneration of directors and senior officers

The aggregate direct remuneration paid or payable to the directors and senior officers of the company was \$309,853 for the year ended March 29, 1975. (1974 – \$253,775).

7. Pension plan liability

The unfunded past service liability according to independent actuarial estimates made as at March 29, 1975 amounted to \$2,617,000 at that date. This obligation will be satisfied and charged to operations at the rate of \$266,000 annually, an amount estimated by the independent actuaries to be sufficient to amortize this liability over a period ending in 1989.

8. Contingent liabilities

The price received in 1968 and 1970 from the sale of the companies' holdings in shares of Canadian Foundation Company Ltd. may be reduced in certain circumstances by a portion of amounts payable in respect to litigation in progress against Canadian Foundation Company Ltd. and its subsidiaries at the time of sale of the shares.

To the Shareholders of Slater Steel Industries Limited:

We have examined the consolidated balance sheet of Slater Steel Industries Limited, its subsidiary and its investment in Interprovincial Steel and Pipe Corporation Ltd. stated at cost plus equity in undistributed earnings since date of acquisition, as at March 29, 1975 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 29, 1975 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers and Lybrand
Chartered Accountants

May 2, 1975, Hamilton, Canada

Liabilities	as at March 29, 1975	as at March 30, 1974
Current Liabilities		
Bank advances	\$ 8,512	\$ 4,222
Accounts payable and accrued liabilities	5,654	4,738
Income taxes payable	2,276	171
Dividends payable	541	493
	16,983	9,624
Sinking Fund Debentures (Note 3)	1,653	1,653
Deferred Income Taxes	6,910	6,300
Shareholders' Equity		
Capital stock		
<i>Preference shares</i>		
Authorized – 357,210 shares (1974 – 370,680 shares) of \$20 par value each		
Outstanding (Note 4)	7,144	7,414
<i>Common shares (Note 5)</i>		
Authorized – 4,000,000 shares without par value		
Outstanding – 2,582,332 shares	12,428	12,428
Retained earnings	27,425	21,277
	46,997	41,119
	\$72,543	\$58,696

Consolidated Statement of Source and Use of Working Capital

(in thousands of dollars)

	Year ended March 29, 1975	Year ended March 30, 1974
Source of Working Capital		
Operations		
Net earnings for the year	\$ 8,236	\$ 5,112
<i>Items not affecting working capital</i>		
Depreciation	1,711	1,437
Deferred income taxes	610	1,910
Equity in earnings of Interprovincial Steel and Pipe Corporation Ltd., less dividends received	(4,134)	(1,796)
	6,423	6,663
Use of Working Capital		
Net additions to fixed assets	4,945	2,142
Redemption of debentures	—	219
Retirement of preference shares	189	281
Dividends	2,169	1,980
Investment in Interprovincial Steel and Pipe Corporation Ltd.	600	—
Loans to Trustees of Share Purchase Plan	(34)	244
	7,869	4,866
Increase (Decrease) in Working Capital	(1,446)	1,797
Working Capital at Beginning of Year	9,800	8,003
Working Capital at End of Year	\$ 8,354	\$ 9,800

Five Year Review

	1975	1974	(5 months) 1973	1972	1971
Sales and Earnings (in thousands of dollars)					
Net sales	\$63,846	\$44,242	\$16,933	\$34,260	\$28,967
Income taxes	2,775	1,715	862	2,537	2,118
Net earnings	8,236	5,112	1,147	2,609	2,006
Capital expenditures	4,945	2,142	4,985	3,103	503
Depreciation	1,711	1,437	432	1,040	1,007
Cash generated from operations – (Note A)	6,423	6,663	1,250	4,240	3,045
Year End Position (in thousands of dollars)					
Working capital	8,354	9,800	8,003	28,180	29,727
Fixed assets – net	24,810	21,576	20,872	16,319	14,256
Total assets	72,543	58,696	50,947	48,171	46,858
Long term debt	1,653	1,653	1,872	1,892	2,458
Common shareholders' equity	39,853	33,705	30,486	30,323	29,673
Statistics per Common Share					
Earnings	3.03	1.81	.36	.84	.60
Dividends	.68	.60	.30	.60	.60
Shareholders' equity	15.43	13.05	11.81	11.74	11.49
Other Statistics					
Number of employees	1,202	1,242	1,076	1,030	931
Number of shareholders	6,341	6,361	6,319	6,359	6,501

Notes:

(A) Cash generated from operations consists of net earnings including dividends received, plus depreciation and deferred income taxes.

(B) The results cover the years ended October 31 up to 1972 with the year end being changed to March in 1973.



Board of Directors (L to R seated) – J. Michael Edwards, Gordon P. Osler, Harold H. Leather, Norman B. Preece, Bruce M. Hamilton, Richard C. Meech; (L to R standing) – Douglas C. Marrs, Barrie Cheetham; (Not present) – Ralph W. Cooper

Directors

Barrie Cheetham
Regional Co-ordinator, North America,
British Steel Corporation (International) Ltd.

Ralph W. Cooper*
Chairman,
Cooper Construction Company Limited

J. Michael Edwards
Managing Director,
British Steel Corporation (International) Ltd.

Bruce M. Hamilton*†
President of the Corporation

Harold H. Leather*
Gentleman

Douglas C. Marrs‡
President,
Westinghouse Canada Limited

Richard C. Meech, Q.C.*†‡
Partner,
Borden & Elliot

Gordon P. Osler*†
Vice-Chairman and Chief Executive Officer,
British Steel Corporation (Canada) Limited
Chairman of the Corporation

Norman B. Preece*†‡
President,
Stanton Pipes Limited

*Member of Executive Committee
of the Corporation

†Member of Acquisition Committee
of the Corporation

‡Member of Audit Committee
of the Corporation

Officers of the Corporation

Gordon P. Osler,
Chairman of the Board
Bruce M. Hamilton,
President
Ronald B. Wilson,
Vice President/Administration & Finance
and Secretary
David W. Albright,
Treasurer
J. David Smart,
Comptroller

Officers of Burlington Steel Division

John E. Fogarty,
Vice President/General Manager
John F. Miles,
Vice President/Manufacturing
A. Gordon McDonald,
Vice President/Marketing

Officer of Slater Products Division

A. Michael Parent,
Vice President/General Manager

Corporate offices

Slater Steel Industries Limited
681 King Street West
P.O. Box 271, Hamilton, Ontario L8N 3E7

Divisions

Burlington Steel Division
319 Sherman Avenue North
P.O. Box 271, Hamilton, Ontario L8N 3E7

Slater Products Division
681 King Street West
P.O. Box 271, Hamilton, Ontario L8N 3E7
Branches – Vancouver and Montreal

Associated Company

Interprovincial Steel and Pipe Corporation Ltd.
P.O. Box 1670, Regina, Saskatchewan S4P 3C7

Registrar & Transfer Agents

Montreal Trust Company
Toronto, Montreal, Vancouver, Winnipeg

Listed

Toronto Stock Exchange

Auditors

Coopers & Lybrand, Chartered Accountants

